

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6786

BILL NUMBER: HB 1480

NOTE PREPARED: Apr 26, 2007

BILL AMENDED: Mar 29, 2007

SUBJECT: Judges' Pensions.

FIRST AUTHOR: Rep. Kuzman

FIRST SPONSOR: Sen. Meeks

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill:

COLA for Judges' 1985 Retirement System - The bill provides for a 2% increase of the monthly benefits paid to participants, survivors, and beneficiaries from the Judges' 1985 Retirement System after December 31, 2007, and for a 2% increase of the monthly benefits paid to participants, survivors, and beneficiaries from the Judges' 1985 Retirement System after December 31, 2008.

Pension Management Oversight Commission Study Topics - The bill directs the Pension Management Oversight Commission (PMOC) (A) to study the issue of implementing a Judges' Defined Contribution Plan; (B) to study inequities between the 1977 Judges Retirement System and the 1985 Judges' Retirement System; and (C) to identify ways that benefits provided by the 1977 Judges' Retirement System and the benefits provided by the 1985 Judges' Retirement System may be aligned.

Effective Date: (Amended) Upon passage: July 1, 2007.

Explanation of State Expenditures: (Revised) *COLA for Judges' 1985 Retirement System* - The bill provides for a 2% COLA after December 31, 2007, and a 2% COLA in the Judges' 1985 Retirement System after December 31, 2008.

The COLA provisions will increase the unfunded accrued liability of the Judges' Retirement System by \$1.1M, with an increase in annual funding of \$85,000. The funded status would decrease from 65.4% to 65.1%. These figures represent the costs as if the system were an actuarially prefunded system.

Since the Judges' 1985 Retirement System is funded on a pay-as-you-go basis, the estimated increases in

annual benefit payments for FY 2008 through FY 2011 are shown in the following table. The benefit payments would continue beyond FY 2011. The fund affected is the state General Fund.

Year	Amount
FY 2008	\$45,500
FY2009	\$94,000
FY 2010	\$99,500
FY 2011	105,000

(Revised) *Pension Management Oversight Commission Study Topics* - Assigning study topics to PMOC will have no fiscal impact and will be accomplished through the existing procedures of the PMOC. The fund affected is the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 and the 1985 Benefit Systems of the Judges' Retirement Fund.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the 1977 and the 1985 Benefit Systems of the Judges' Retirement Fund, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Actuarial Liability Sometimes called the unfunded liability, the actuarial liability of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Amortization Paying off an interest-bearing liability by gradual reduction through a series of installments as opposed to paying it off by one lump sum payment.

Annuity Savings Account This account contains member contributions, interest credited to the amounts invested in the Guaranteed Fund, and the gain or loss in market value on the amounts invested in the alternative funds. Each member's Annuity Savings Account is credited individually with the amount of the member's contributions and interest credits.

Cost of Living Adjustment An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Present Value The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.